

South Carolina Prelicensing Curriculum Content Outline for Property Manager

Introduction to the Curriculum Content Outline

The South Carolina Property Manager Prelicensing Curriculum is comprised of the following Sections; each is outlined in greater detail in this Guide.

Also, selected Sections end with suggested activities and assignments to help reinforce the terms, concepts, and processes identified. You should apply your own expertise to create similar reinforcements that actively involve students.

The intention of the Curriculum is to provide a reasonably comprehensive guide to the subject matter, laws, processes, and activities that are part of the property management profession.

It is NOT intended to restrict itself to only those facts and details that may appear on the licensing test.

Proper instruction will ensure that the student will be prepared for entering the complex practice of the property management profession in South Carolina, and should therefore be able to pass the licensing exam.

Since anyone with a Property Management license is able to become a PMIC and operate a business without additional supervision, the Curriculum has been expanded to include an extensive treatment of Trust Accounts. **Instructors need to ensure that the vital importance of proper handling of all funds is stressed at all times throughout the course.**

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1. Laws Affecting Property Managers

- I. FEDERAL LAWS
 - A. Civil Rights Act of 1866
 - 1. Provisions
 - 2. Jones vs. Mayer
 - B. Fair Housing Act
 - 1. Prohibitions
 - 2. Exemptions
 - 3. Enforcement
 - 4. Penalties
 - 5. Specific violations
 - a. Blockbusting/panic peddling
 - b. Steering
 - c. Redlining
 - 6. Illegal discriminations
 - a. Race
 - b. Creed
 - c. Color
 - d. Sex
 - e. National origin
 - f. Familial status
 - g. Handicapped
 - 7. Consistency of policies
 - C. Equal Credit Opportunity Act (ECOA)
 - 1. Applicability to rental applications
 - 2. Protected classes
 - D. Fair Credit Reporting Act
 - E. Federal Anti-Trust Law
 - 1. Price fixing
 - 2. Allocation of markets
 - 3. Allocation of customers
 - F. Chlorofluorocarbons (CFC) Laws
 - 1. Certification for workers
 - 2. Recapture equipment
 - 3. Penalties

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- G. ADA Compliance
 - 1. Public accommodation
 - 2. New facility and/or alterations
 - 3. Penalties
- H. Lead-based paint
 - 1. Pamphlet
 - 2. Owner's disclosure form
- II. SOUTH CAROLINA LICENSE LAW, REGULATIONS, AND OTHER STATUTES
 - A. Purpose of licensing laws
 - B. License requirements
 - 1. Property manager defined
 - 2. Property manager-in-charge defined
 - 3. Activities requiring a license
 - 4. Penalties for unlicensed property managers
 - C. Real Estate Commission
 - 1. Authority over property managers
 - 2. Fines, suspension, or revocation
 - a. Specific causes
 - b. Procedure
 - c. Appeal of decisions
 - d. Penalties for violations
 - D. Property manager's responsibilities
 - 1. Employing property manager-in-charge or broker-in-charge
 - 2. Licensing disclosure
 - 3. Honesty and good character
 - 4. Record keeping (5 years)
 - E. Handling of funds (*overview—comprehensive Trust Accounting in next section*)
 - 1. Account requirements
 - 2. Deposit policies
 - 3. Journals/ledgers
 - 4. Receipts and disbursements
 - 5. Reports
 - 6. Investigations by LLR
 - F. Smoke Detector Laws
 - 1. Types of detectors
 - 2. Regulations
 - 3. Penalties
 - G. Megan's Law
 - H. South Carolina Vacation Rental Act

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2. TRUST ACCOUNTING

- I. PURPOSE AND DEFINITION OF TRUST FUNDS
 - A. To protect consumer funds
 - B. Fiduciary duty to account for funds/valuables received by a licensee in the course of performing any real estate activity
- II. HOW TRUST FUNDS/TRUST ACCOUNTS DIFFER FROM ORDINARY ACCOUNTS
 - A. Someone else's money
 - 1. Separate it from business operating or personal accounts
 - B. Held for the benefit of another
 - C. BIC/PMIC is a trustee for others' money
 - D. Separate bank account into which only trust funds are deposited
 - E. Must provide for withdrawal of funds
- III. TYPES OF TRUST FUNDS
 - A. Earnest money
 - B. Rents
 - C. Security deposits
 - D. Down payments
 - E. Advanced rental deposits
 - F. Other, e.g. pet, children, cleaning, golf, etc.
- IV. HOW MANY TRUST ACCOUNTS ARE REQUIRED
 - A. At least one, if the BIC/PMIC holds funds for principal(s)
 - B. May have as many as the BIC/PMIC wants
 - C. Three are best if involved in both sales and property management
 - 1. One for earnest money and sales transaction funds
 - 2. One for rental activity
 - 3. One for rental security deposits
- V. BASIC TRUST ACCOUNT REQUIREMENTS AND COMPLIANCE ISSUES
 - A. Establish account with an insured financial institution authorized to conduct business in South Carolina
 - B. The term "trust" or "escrow" account must be in the name
 - C. Must record all information required by SC Real Estate License Law
 - D. Entries must identify exact amount in the account at all times

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- E. Must identify ownership of funds in the account, by amount, at all times
- F. Must provide a consistent and logical record of account activity
- G. Must maintain required records for a minimum of five years
- H. Must make all required records available for inspection on request to a representative of the Department of Labor, Licensing & Regulation (LLR)

VI. DEFINITIONS

- A. Trust account definitions
 - 1. Commingling
 - 2. Conversion
 - 3. Depositable trust items
 - 4. Security deposit
 - 5. Trust account
 - 6. Trust funds
 - 7. Trustee
 - 8. Trustor
- B. Bookkeeping definitions
 - 1. General ledger (journal)
 - 2. Subsidiary ledger (also called sub-account ledger, or subledger)
 - 3. Owner's ledger
 - 4. Tenant's ledger
 - 5. Folio number
 - 6. Reconciliation of trust account

VII. ROLE OF THE TRUSTEE

- A. BIC/PMIC responsibility not transferred if accounting is delegated to others
- B. Selected duties as detailed in Section 40-57-135 (review that Section closely)
 - 1. Adequate supervision . . . maintain real estate trust accounts when required
 - 2. Instruct employees and associated licensees on the proper handling of trust funds
 - 3. Ensure that accurate and complete records are maintained for real estate trust accounts
 - 4. Ensure that backup copies are maintained for computerized real estate trust accounts
 - 5. Centralized single account may be used for multiple offices

VIII. BOOKKEEPING REQUIREMENTS

- A. Basic requirements
 - 1. Date of receipt
 - 2. Name of party from whom the money was received
 - 3. Name of the principal

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4. Identification of property
5. Date of deposit and depository
6. Payee
7. Check number(s)
8. Dates
9. Amounts
10. Running balance for entries of deposits and disbursements
11. Method of reconciliation of account(s)
12. Other details per Section 40-57-135 (A) and (B)
- B. Additional tenant, unit, and owner requirements
 1. All of the same information as above, plus
 - a. Separate record for each tenant that includes identification of
 1. The unit
 2. The unit owner
 3. Rental amount
 4. Rental due date
 5. Unit security deposit
 6. All receipts with dates
 - b. Owner's ledger should also include entries for:
 1. Any and all receipts applicable to the property
 2. Disbursements for expenses on the property
 3. Disbursements for rental proceeds to the owner and compensation to the BIC/PMIC

IX. DEPOSIT REQUIREMENTS

- A. Timing of deposits
 1. Cash or certified funds must be deposited within 48 hours of receipt, excluding Saturdays, Sundays, and bank holidays
 2. Checks must be deposited within 48 hours of receipt, excluding Saturdays, Sundays, and bank holidays, after contract signing by the parties to the transaction
- B. Licensees must deliver all real estate related funds immediately to their BIC/PMIC
- C. No commingling, though a clearly identified amount of BIC/PMIC money may be kept in the trust fund to cover bank fees and avoid zero-balance closure
- D. No conversion of funds from trust to other business or personal use
- E. Interest-bearing accounts are acceptable
 1. Interest may be kept by BIC/PMIC only if the fund owner(s) agree to it in writing
 2. If such agreement is part of a preprinted form, the language must be conspicuous
- F. Once in a trust account, transaction funds must remain there until consummation or termination of the transaction

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- G. Rent monies may be placed in an operating or similar account, but otherwise must be properly accounted for
- X. DISBURSEMENT OF FUNDS
 - A. Regular transaction – per contract or mutual agreement
 - B. Disputed funds – per contract, mutual agreement, interpleader action, court order, or voluntary mediation
 - C. Rental funds – must be disbursed in accordance with the contract; security deposits must remain in the trust account until termination of the lease
 - D. Checks drawn on the account that are returned for insufficient funds or closed account may be grounds for disciplinary action
- XI. ACCOUNTING FOR FUNDS
 - A. Headings in general ledger or journal
 - 1. Date of transaction
 - 2. Deposit or check number
 - 3. Payor (buyer or seller for sales, landlord or tenant for property management)
 - 4. Principal (client)
 - 5. Property address
 - 6. Payee
 - 7. Folio number
 - 8. Check amount
 - 9. Deposit amount
 - 10. Balance in account
 - 11. Remarks
 - B. Other records
 - 1. Subsidiary account ledgers
 - 2. The checkbook
 - 3. The bank statement
 - 4. Sales contracts and/or leases
 - 5. Receipts and deposit slips
 - 6. Folio numbers

SUGGESTED CLASSROOM PRACTICAL APPLICATION EXERCISES

Prepare and explain trust account monitoring system(s)

Discuss common accounting mistakes

Develop sample transactions details and have students prepare ledger entries and review each other's sample ledgers for accuracy

Develop a method for BIC/PMIC supervision of trust account manager's records

Match record keeping requirements to License Law, especially regarding Trust Accounts

*This document was prepared 9/09 for the South Carolina Real Estate Commission;
intended for use in the preparation of Class Materials for Property Manager Courses.*

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3. Property Manager and Owner Relationship

- I. MANAGEMENT PLANNING
 - A. Economic factors
 - 1. Neighborhood and regional market analyses
 - 2. Rental price
 - 3. Property analysis/appraisal
 - 4. Evaluation of comparables
 - 5. Market value
 - B. Analysis of owner's objectives
 - C. Preparation of the management plan
 - 1. Purpose
 - 2. Operating budget
 - a. Establish optimum rents
 - b. Determine gross annual scheduled rental income
 - c. Adjust to reflect anticipated market trends
 - d. Fiscal year
 - e. Calculate yearly operating costs
 - f. Establish necessary reserve funds
 - g. Debt service
 - h. Review cash flow
 - i. Net operating income
 - 3. Five-year forecast
 - 4. Comparative income and expense analysis
 - 5. Policies and procedures
- II. MANAGER/OWNER RELATIONSHIPS
 - A. Employer-employee relationships
 - B. Principal-agent relationships
 - 1. Contractual agreement
 - a. Special agent
 - b. General agent
 - 2. Fiduciary responsibilities
 - C. Management contract elements
 - 1. Identification of parties
 - 2. Contract period
 - 3. Manager's responsibilities
 - a. Monthly reports and disbursements
 - b. Powers for renting, operating, and managing

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- 4. Owner's responsibilities
- D. Monthly reports
- E. Ownership and management transfers
 - 1. Transfer of property and accounts
 - 2. Transfer of information/records

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4. Rental Agreements

- I. LEASEHOLD ESTATES AND TENANCIES
 - A. Define and explain
 - 1. Leasehold rights (“Bundle of rights”), i.e., use, possession, control, disposition
 - 2. Estate/tenancy for years
 - 3. Estate/tenancy from period to period
 - 4. Estate/tenancy at will
 - 5. Estate/tenancy at sufferance
 - B. Types of leases
 - 1. Gross lease
 - 2. Net lease
 - a. Net lease
 - b. Net-net lease
 - c. Triple net lease
 - a. Ground lease/land lease
 - 3. Percentage lease
- II. LEASE/RENTAL AGREEMENT
 - A. Definition of terms
 - B. Statute of Frauds – applicability to leases
 - C. Basic elements
 - 1. Complete and legal names of both parties
 - 2. Description of property
 - 3. Term of the lease/rental agreement
 - 4. Use of Premises
 - 5. Valuable consideration/rent schedules
 - a. Graduated/escalation leases
 - b. Participation leases
 - 6. Time and method of payment
 - 7. Rights and obligations
- III. ADDITIONAL LEASE/RENTAL AGREEMENT PROVISIONS
 - A. Use of the premises
 - 1. Restrictive clauses
 - 2. Rules and regulations
 - B. Assignment and subletting
 - C. Recent foreclosure rulings

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1. Federal: Protecting Tenants at Foreclosure Act
2. South Carolina applications of foreclosure and tenant eviction laws

IV. QUALIFICATION OF TENANTS

- A. Lease application forms
- B. Basis for evaluation
 1. Prospect's identity
 2. Rental history
 3. Financial status/credit reports
 4. Background checks
 - a. References
 - b. Criminal checks
- C. Signing the agreement

V. NEGOTIATING THE TERMS

- A. Basis for concessions
 1. Owner's financial and strategic position
 2. Competition in the market
 3. Urgency of the prospect to move
- B. Types of concessions
 1. Rent schedules and rebates
 2. Length of lease period
 3. Tenant alterations
 4. Expansion options
 5. Noncompeting tenant restrictions
 6. Defraying the moving costs
 - a. Lease assumptions
 - b. Cancellations
 - c. Allowances

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5. Tenant Relations

- I. LANDLORD/TENANT RELATIONS
 - A. Establishing a sound relationship
 - B. Lease renewals
 - C. Rent increases
 - D. Rent collections
 - E. Terminating the tenancy
 - F. Security deposits and returns
 - G. Quiet enjoyment
- II. SOUTH CAROLINA RESIDENTIAL LANDLORD/TENANT ACT
 - A. Effective date/purpose
 - B. Scope
 - C. Jurisdiction
 - D. General provisions
 - E. Landlord obligations
 - 1. Security deposit use and deductions
 - 2. Disclosure requirements
 - 3. Delivery of possession of unit
 - 4. Maintenance of premises
 - a. Housing and building codes
 - b. Habitable condition
 - c. Common areas
 - d. Water, heat, etc.
 - e. Major facilities
 - f. Assumption of duties by tenant
 - 5. Limitation of liability
 - F. Tenant remedies for landlord's noncompliance
 - 1. Deductions from security deposit
 - 2. Return of security deposit
 - 3. Disclosure
 - 4. Maintenance of premises
 - 5. Delivery of possession
 - 6. Supply of essential services
 - 7. Fire or casualty damage
 - 8. Unlawful exclusion or ouster
 - G. Retaliation
 - H. Landlord's noncompliance as defense to actions for nonpayment of rent

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- I. Tenant obligations
 - 1. Maintaining the unit
 - 2. Rules and regulations
 - 3. Access
 - 4. Legal use and occupancy
- J. Landlord remedies for tenant's noncompliance
 - 1. Failure to pay rent
 - 2. Actual damages and injunctive relief
 - 3. Health and safety
 - 4. Liens
 - 5. Recovery
 - 6. Holdovers
 - 7. Abuse of access
 - 8. Eviction
 - 9. Payment of rent during pendency of action
 - 10. Appeal process
- K. Abandonment and distraint
- L. Constructive eviction

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6. Maintenance, Reports, and Insurance

- I. FACILITIES MAINTENANCE
 - A. Basic procedures
 - 1. Preventive maintenance
 - 2. Corrective maintenance
 - 3. Routine maintenance
 - 4. New construction
 - B. On-site maintenance staff
 - C. Contracted maintenance and/or new construction
 - 1. Written contracts
 - 2. Termination provisions
 - 3. Competitive bids
 - 4. Negotiated contracts
 - a. Flat-fee basis
 - b. Cost-plus basis
 - D. Maintenance programs
 - 1. Preventive maintenance
 - a. Inventory of building and equipment
 - b. Determine necessary tasks
 - c. Calculate costs
 - d. Schedule tasks
 - e. Keep records
 - 2. Routine inspections
 - a. Interior
 - b. Exterior
 - E. Cost efficient programs
 - 1. Long-term plans
 - 2. Short-term plans
 - 3. Control plans
 - a. Scope/location
 - b. Job priority
 - c. Job method
 - d. Materials
 - e. Number of personnel
 - f. Hours of work
 - F. Energy management
 - G. Building conversions

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- II. OPERATING REPORTS
 - A. Income and expense
 - B. Profit and loss statement
 - C. Budget forecasts
 - D. Tax records
 - 1. Federal and state tax reports (governing employees under the law)
 - 2. Meeting federal and state requirements (necessary forms)
 - 3. Income tax withholding
 - 4. Free rent
 - 5. FICA Insurance
 - 6. Unemployment taxes (FUTA)
 - E. Cash flow statements
 - F. Determining profitability
 - 1. Break-even analysis
 - 2. Capitalization rates
 - 3. Return on investments
- III. RISK MANAGEMENT AND INSURANCE
 - A. Theories
 - 1. Avoid it
 - 2. Retain it
 - 3. Control it
 - 4. Transfer it
 - B. Property manager's assessment
 - 1. Survey of the property
 - 2. Determination of need for insurance
 - C. Owner's insurance coverage
 - 1. Policy amounts
 - 2. Coverage types
 - 3. General liability and workers' compensation
 - 4. Responsibility for providing coverage
 - D. Manager's insurance coverage
 - 1. Office and floater
 - 2. Errors and omissions
 - 3. Surety and fidelity bonds
 - E. Certificate of Insurance
 - 1. Vendors
 - a. General Liability and Workers Compensation
 - 2. Tenants

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7. Office Administration and Trust Accounting for PMICs

- I. MANAGEMENT RESPONSIBILITIES
 - A. Management groups
 - 1. Individual managers
 - 2. Management firms
 - 3. Real estate agency management divisions
 - B. Office location and space allocation
 - C. Files/filing system
 - D. Equipment
 - E. Staffing
 - F. Cost controls
 - 1. Direct
 - 2. Indirect
 - G. Management fees
 - 1. Per-unit cost method
 - a. Adjustments
 - b. Percentage rate
 - 2. Management pricing worksheet
- II. TRUST ACCOUNTING *(Review of Section 2)*
 - A. Deposit of funds
 - 1. Type of account
 - 2. Types of monies
 - 3. Time of deposits
 - B. Rents
 - 1. Folios
 - 2. General ledger
 - C. Accounting to owner
 - D. Operating account

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8. Specialized Property Management and Professional Development

- I. COOPERATIVES, CONDOMINIUMS, PUDS, OTHER COMMUNITY ARRANGEMENTS
 - A. Define and explain
 - 1. Cooperative ownership
 - 2. Condominium ownership
 - 3. Planned unit development
 - B. Cooperative ownership
 - 1. Structure of cooperative
 - 2. The proprietary lease
 - 3. Role of the property manager
 - C. Condominium ownership
 - 1. Fee simple ownership of unit
 - 2. Common elements
 - 3. Conditions, covenants, restrictions, and declarations
 - 4. Role of the property manager
 - 5. State Regulations/South Carolina Horizontal Property Act
 - 6. Federal Regulations/Fannie Mae (Federal National Mortgage Association)
 - D. Operating budgets and reports
 - 1. Annual operating budgets
 - 2. Monthly income and expense statements
 - 3. Yearly cash flow reports
 - E. Management fees
 - 1. Cost per-unit method
 - 2. Pricing worksheet
 - 3. Flat fee vs. percentage fee
 - F. Management of unregulated properties
 - 1. Homeowners associations (HOAs)
 - 2. Community associations
 - 3. Other residential and business operations
- II. OFFICE BUILDINGS
 - A. Regional and neighborhood analyses
 - B. Property analysis
 - 1. Class A, B, C, D office space
 - a. Age
 - b. Location

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- c. Market position
 - 2. BOMA standard of measurement
 - a. Rentable area
 - b. Usable area
 - 3. Rental schedule
 - C. Marketing office space
 - D. Qualifying the tenant/space planning
 - E. Negotiations and the lease
 - 1. Escalation clause
 - 2. Services
 - 3. Possession
 - 4. Concessions
 - 5. Remodeling
 - F. Maintenance and staffing of office buildings
 - 1. Maintenance requirements
 - a. Elevator operation
 - b. Housekeeping
 - c. Security
 - d. New construction
 - 2. BOMI training sessions
 - G. Accounting procedures
- III. RETAIL PROPERTIES
- A. Classification of shopping centers
 - 1. Market area
 - 2. Pattern
 - 3. Owner
 - B. Marketing retail space
 - C. Qualifying tenants
 - 1. Compatibility of "mix"
 - 2. Financial backing
 - D. Percentage leases
 - 1. Fixed minimum rental lease
 - 2. Minimum guaranteed percentage lease
 - 3. Straight percentage lease
 - 4. Variable scale lease
 - 5. Maximum percentage lease
 - E. Lease negotiations
 - 1. Rental rates
 - 2. Defining gross sales

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- 3. Payment methods
 - 4. Recapture clauses
 - 5. Tenant improvements and trade fixtures
 - F. Common area maintenance (CAM-charges)
 - G. Security
 - H. Administrative responsibilities
 - 1. Financial reports
 - 2. Insurance
- IV. INDUSTRIAL PROPERTIES
- A. Classification of buildings
 - 1. General purpose
 - 2. Special purpose
 - 3. Single purpose
 - B. Characteristics
 - 1. Sale-leaseback agreements
 - 2. Functional obsolescence
 - 3. Liquidity/investment risk
 - 4. Long-term leases
 - C. Market trends
 - 1. Increased mobility
 - 2. Transportation
 - 3. Plant size and features
 - 4. Land use patterns
 - D. Market and property analysis
 - 1. Site selection factors
 - a. Market-oriented industries
 - b. Resource-oriented industries
 - c. Labor-oriented industries
 - 2. Financing/subsidizing/tax-free bonds
 - E. Marketing industrial space
 - 1. Industrial brokers
 - 2. Speculative buildings
 - 3. Advertising and promotion
 - 4. Tenant qualification
 - a. Total land area required
 - b. Land employment density
 - c. Building employment density
 - d. Structural density
 - e. Access (transportation routes)

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- f. Financial capability
 - 5. Showing the property
 - a. Large groups
 - b. Prequalifying and follow-up
 - 6. Lease negotiations
 - a. Net leases
 - b. Rent factor
 - c. Terms, option clauses
 - d. Building modification
 - 7. Types of management fees
 - a. Flat fees
 - b. Percentage fees
 - c. Leasing fees
 - G. Continuing owner/manager relationships
 - 1. Monthly reports
 - 2. Personal contact
- V. PROFESSIONAL DEVELOPMENT
 - A. Professional organizations and designations
 - B. Additional education and skill-building
 - 1. Classroom
 - 2. Online

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9. Mathematics

- I. PRORATIONS
- II. GROSS AND NET RENT POTENTIAL, INCLUDING LEASE AREAS
- III. COMMISSIONS
- IV. CAPITALIZATION (CAP) RATES

This ends the Property Manager Curriculum Outline